



Building Success. Together.

## Agenda Items

### 1. Fraud Trends

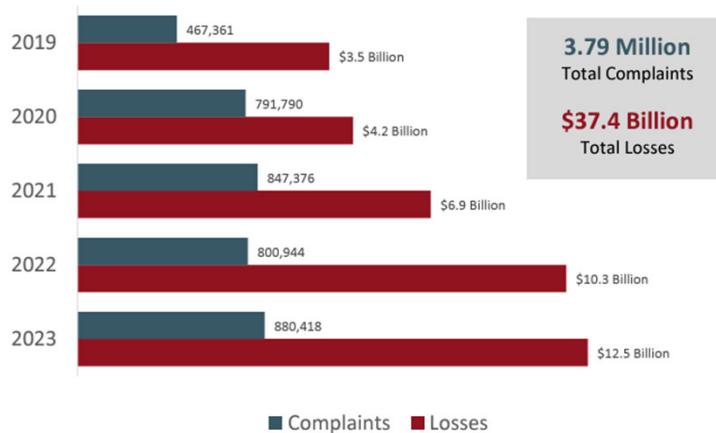
- Statistics
- Spoofing / Bank Impersonation
- Business Email Compromise
- Check Fraud – Trends and Mitigation Measures

### 2. AI Risks – Deepfakes

### 3. Questions

## FBI IC3 – 2023 Internet Crime Report

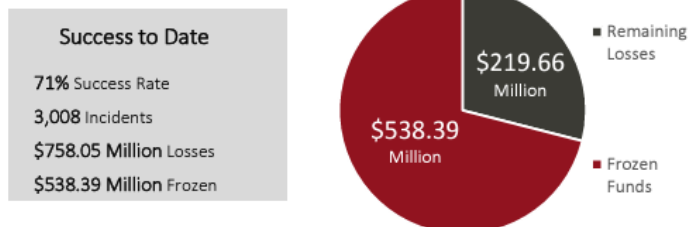
Complaints and Losses over the Last Five Years\*



- Identity Theft
  - 2020 – 43,330
  - 2021 – 51,629
  - 2022 – 27,922
  - 2023 – 19,778
- 2022 – 46% drop in ID theft claims

## Potential to recover funds – FBI IC3

2023 IC3 RAT Success Rate



- Contact the originating financial institution as soon as fraud is recognized to request a recall or reversal and a Hold Harmless Letter or Letter of Indemnity.
- File a detailed complaint with [www.ic3.gov](http://www.ic3.gov). It is vital the complaint contain all required data in provided fields, including banking information.

**Time is of the essence – highest success rates when reported within 24-36 hours**

# SPOOFING

## Spoofing and Text Fraud

SUSAN TOMPOR

**Bravo's Andy Cohen reveals red flags he missed as scammers duped him, stole his money**

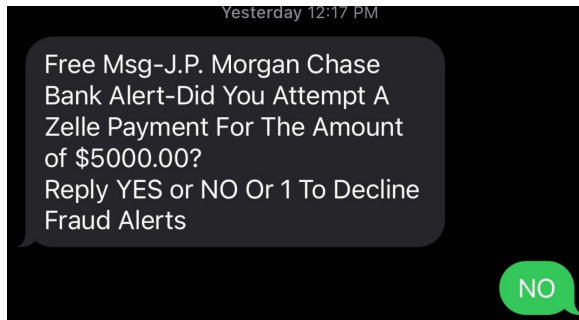


**Susan Tompor**  
Detroit Free Press

Published 10:49 a.m. ET Jan. 16, 2024 | Updated 7:39 p.m. ET Jan. 18, 2024



## Text Fraud – Shifting to Bank Impersonation



- FTC stated number text scam – bank impersonation
- Original focus on convincing P2P payments
- Fraudster socializes username and initiates password change
  - To defeat 2 step auth, fraudster keeps victim on phone and gets passcode to change password
- Now using fraud alerts to try and get funds out of accounts

## Bank Impersonation – Scope of Issue

- FTC reported text scams accounted for \$330M in reported consumer losses in 2022. FBI reports have the losses reported trending to \$400M in 2023



## Bank Identity Spoofing Experience

For the customer:

Receives a text asking if they authorized a payment.

Responds with a Yes or No

Receives a response from the "bank" to log into their account to file dispute or some other action, with a link to the online account.

Receives a call from a "fraud analyst" to help them with the disputed account and account protection

For the scammer:

Texts go out to multiple targets designed to appear like the bank text.

Responses to the text indicate a target likely to be scammed.

A fake website designed to look like the bank login site captures the username and password of the victim.

A call to the victim as the "fraud analyst" is used to request the victim provide one-time-passcodes or out-of-band-authentication codes as part of the scam. These codes are used to circumvent the bank controls for account access and transfers.

## Actions for Bank Impersonation Scams



Educate clients to understand what a bank will and will not ask when calling a customer.



Institute call-back requirements for suspicious transactions and changes to the profile.



Update client profiles to lock out transaction types not used



Educate staff on key red flags that your customer has been targeted by a bank spoofing scheme.

# BUSINESS EMAIL COMPROMISE

## Business Email Compromise

- A business email compromise is a fraud scheme wherein the criminal takes over or duplicates an email address (or phone) to fraudulently induce changes to a transaction or a new transaction for the criminal's benefit.
  - A known vendor sends an invoice with and updated mailing address.
  - A company CEO asks you to purchase a dozen gift cards to send out as employee rewards.
  - A homebuyer receives instructions from the title company to wire their escrow funds.
  - A business manager receives a request from a client to transfer funds for a purchase from an art auction.



## The Impact of the BEC Trend

	2023	2022	2021	2020	2019
BEC Losses By Victims	\$2,946,830,270	\$2,742,354,049	\$2,395,953,296	\$1,866,642,107	\$1,776,549,688
# of Complaints By Victims	21,489	21,832	19,954	19,369	23,775

From 2021 to 2023, the average loss per complaint has increased from approximately \$75K to \$137K

North Dakota has seen a 72% increase in BEC losses in this period.

FBI Internet Crime Report

## How are Emails Compromised



### Takeover schemes.

Businesses and individuals are targeted by phishing campaigns to allow for malicious code or the farming of personal security to compromise an email.



### Spoofed emails.

Emails are designed to look like they come from a legitimate email address.

Letter combinations that pass for different letters (rn for an "m")  
Font changes to mask the inconsistent information



### Socially Engineered Changes

The introduction of a new email address for a known contact through innocuous actions.

## Addressing the Issue



### Client engagement

- Ensure you have call back procedures
- Challenge your client to have their own call back procedures

### Set thresholds for use of transactions

- Limit the potential for loss
- Lock transaction types that are not used

### Dual authorization controls

- Maker and Checker controls

### Client Education

- Campaigns and banners

## CHECK FRAUD



## Check Fraud

From NYT 1920

“Do you know the methods of the mailbox thieves who have recently renewed operations here in New York?”

From Chicago Tribune 1897

“Scores of checks mailed by business men were taken from the stolen letters and in many instances were cashed by innocent persons.”

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### SUBJECTS

#### “SCRATCHING” CHECKS.

Warning to Public of New Methods of Fraud—Banks Limit of Responsibility.

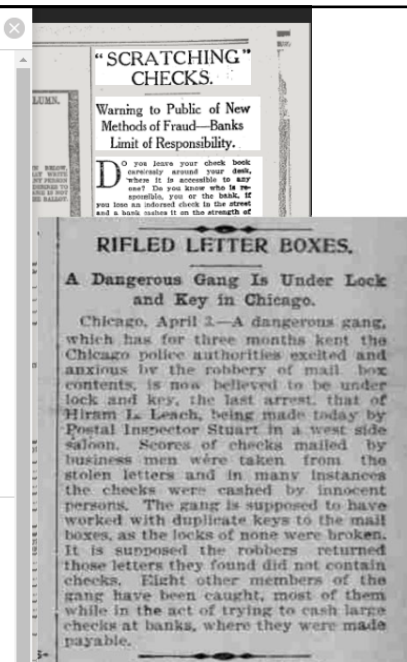
DO you leave your check book carelessly around your desk, where it is accessible to any one? Do you know who is responsible, you or the bank, if you lose an indorsed check in the street and a bank cashes it on the strength of your indorsement? Do you know about the counter indorsement trick? Do you know the methods of the mail box thieves, who have recently renewed operations here in New York?

CONTINUE READING: [PDF](#)

PUBLISH DATE  
October 31, 1920

PAGE NUMBER  
113

SUBJECTS  
Burns Internat Detective Agency

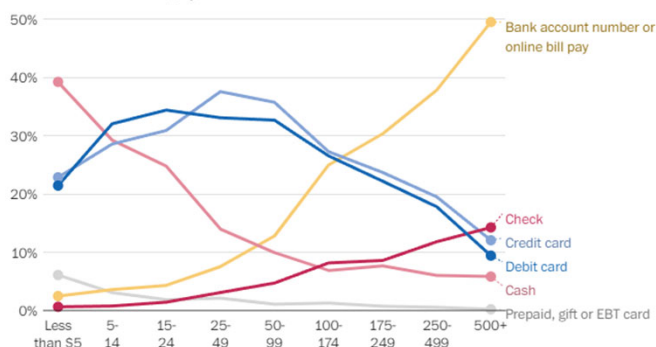


 American Bankers Association.

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## People Still use Checks – for higher dollar purchases

Share of transactions, by select method and dollar amount



Note: Percentages won't total to 100 because we didn't include all payment types.

Source: [Survey and Diary of Consumer Payment Choice](#)

DEPARTMENT OF DATA / THE WASHINGTON POST

ACTIVE	DESCRIPTION	CHECK
Contractors	Building contractors, plumbers, electricians, HVAC	43
Charity	Charitable or religious donations	35
Government	Government taxes or fees	27
Rent	Rent for apartments or homes	19
Utilities	Electricity, water, sewer, trash	14
Health care	Hospital, doctor, dentist, nursing home	12
Education	Schools, colleges, child care centers	11
Professionals	Lawyers, accountants, architects, veterinarians, photographers	11
Personal	Gifts and repayments to family or friends	9

Source: [Survey and Diary of Consumer Payment Choice](#)

## Back to the Basics – Check Fraud

### Problem

- Per Association of Fraud Professionals 2024 survey check fraud accounted for **80% of payment fraud**. This is up from 65% in 2022.

### FinCEN SAR Statistics

Suspicious Activity Category	Suspicious Activity Type	2014	2020	2021	2022
Fraud	ACH	24,904	143,269	176,911	183,733
	Check	96,786	216,963	349,811	<b>680,000</b>
	Credit/Debit card	75,496	132,925	140,327	269,694

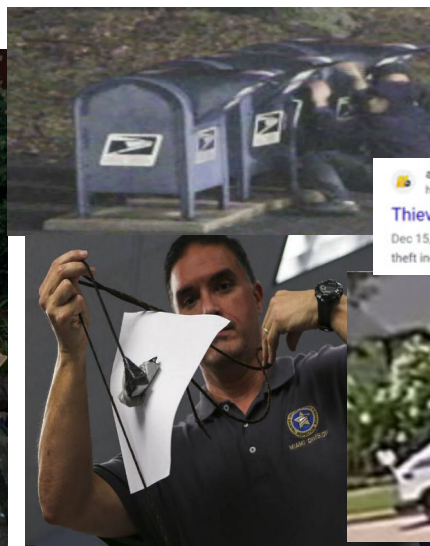
### Challenges

- Creating backlogs in check warranty claims
- Availability of funds (Rec CC & Check 21)
- Average check value doubled last decade

Check Fraud SARs	FIN-2023-MAILTHEFT SARs
587,453	26,900
Period: 2/27/2023 - 1/29/2024	

Extrapolate – 636,407 Check Fraud SARs

## Mail Theft Evolution



USA Today  
https://www.usatoday.com › money › 2023/07/05 › us...  
**U.S. Postal Service theft, mail carrier robberies on rise. ...**  
Jul 5, 2023 – Should you be concerned about mail theft? Glue traps: Thieves use a sticky substance on the door of the mail box to catch mail, which they can ...

CBS News  
https://www.cbsnews.com › MoneyWatch  
**Avoid mailing your checks, experts warn. Here's what's ...**  
Jun 22, 2023 – Mail theft and fraud are on the rise, with thieves breaking into USPS mailboxes, stealing checks from homes and robbing mail carriers.

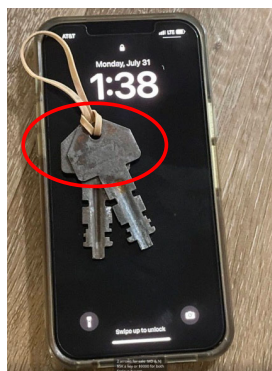
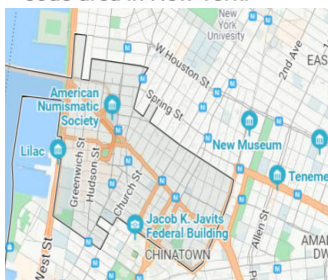
abc11.com  
https://abc11.com › mail-theft-postal-carriers-check-w...  
**Thieves target postal carriers, mail drop-offs in attempt to steal ...**  
Dec 15, 2022 – Maimon said thieves are getting the stolen checks by either swiping ... in mail theft incidents – such as mailbox thefts and postal carrier ...



## Mail Theft

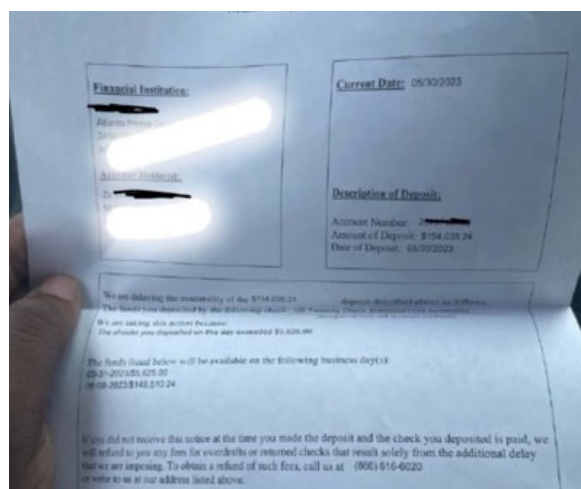


This arrow key is currently available for purchase at the price of \$4,000 as of this morning on telegram. It is designed to unlock USPS boxes within the 10013 zip code area in New York.



- Agency priority for USPIS, in partnership with USPS
- Motivated by financial gain
- Investigations are resource intensive and present many challenges
  - Minimum Exposure and Loss Thresholds for Federal Prosecution
  - Cyber-enabled with national reach
- There are **139,868** blue collection boxes
- USPIS relies heavily on law enforcement agency partnerships and cooperation from financial institutions

## Continuous Challenges for “Fraud Tech”



- Businesses are passing Authentication Test, as they are appropriately registered
  - Synthetic Businesses
  - Synthetic Accounts – Mules
- Fraud is bypassing Reg CC Hold Notices and Returned Deposited Item process
  - Not counterfeit or NSF
  - Altered/Legitimate Items still Pass
- Positive Pay does not detect stolen checks
  - Payee Positive pay a must
  - Well Trained Walkers Still a Threat

## Back to Real People - Mules / Walkers

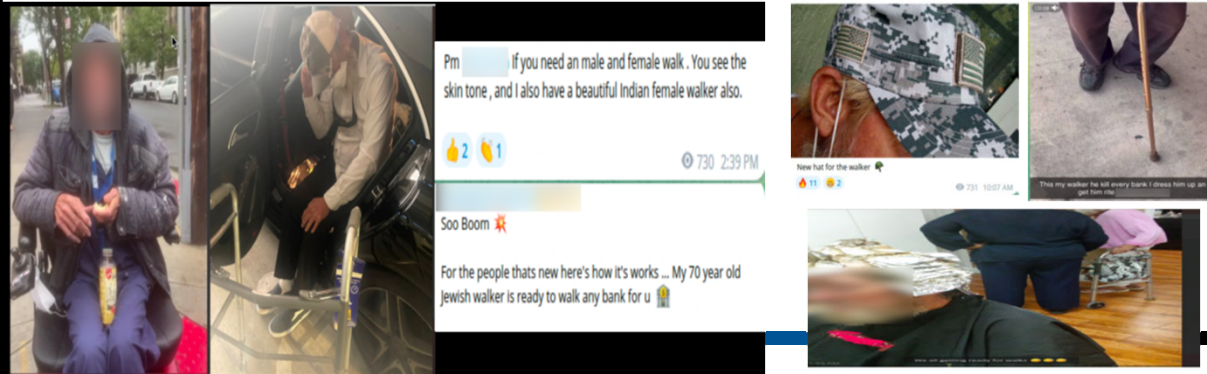
Walker for Hire Service

Fraudster Matches a Specific Profile

Walker Receives:  
(1) Check, (2) Bene Acct Info,  
(3) Service Fee

Walker Service Fits Walker with Fake ID and brings walker to target bank

Fraudster Receives Funds in Mule Acct & Pays Walker \$200



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American Bankers Association

## Check Fraud Claims Processing Updates

- Volume of check fraud has stressed the system and warranty breach claims are being significantly delayed
- Established fraud directory nearly 2,000 individual banks in it
- Free and open to all banks – ABA members and non-members

### ABA Check Fraud Claim Directory

For Bankers Only – Find the right contact for a check warranty claim

Bank Name, FDIC, City, or State Abbreviation



Results 1-20 of 1,363

Sort by A-Z

CHECK FRAUD CONTACT

1st Advantage Bank  
Saint Peters, Missouri - FDIC: 57899

CHECK FRAUD CONTACT

1st Bank of Sea Isle City  
Sea Isle City, New Jersey - FDIC: 30367

CHECK FRAUD CONTACT

1st Colonial Community Bank  
Collingswood, New Jersey - FDIC: 35456

### Need to add or update information?

Help us keep this directory current. Please periodically review your bank's contact information, and submit updates as needed. Please provide contact information that will not be affected by personnel changes within the bank.

UPDATE YOUR DIRECTORY CONTACTS >

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American Bankers Association



## Sample listing, including any additional requirements

Home > Topics > Risk Management > Fraud > Check Fraud > Directory for Check Fraud Claims... > US Bank

**U.S. Bank**  
Cincinnati, OH- FDIC: 6548

Directory for Check Fraud Claims

**DOWNLOAD CLAIM REQUIREMENTS**

**Is This Information Correct?**

Help us keep the check fraud directory up-to-date, by letting us know if we're featuring incorrect information.

**SUBMIT A DIRECTORY UPDATE**

**US Bank Claim Requirements** Version 20230608

**Claim Filing/Notice**

- Send to [ForgeryCollectionShared@usbank.com](mailto:ForgeryCollectionShared@usbank.com)
- Counterfeit and Forged Maker claims are not eligible and must be pursued as an indemnification agreement

**Maker Affidavit**

- Alterations & Pre-Authorized Drafts
- Signed and dated, with any business titles as necessary
- No notary or original documents required
- Electronic/digital signatures are accepted and preferred
- Not required for missing endorsement claims

**Payee Affidavit**

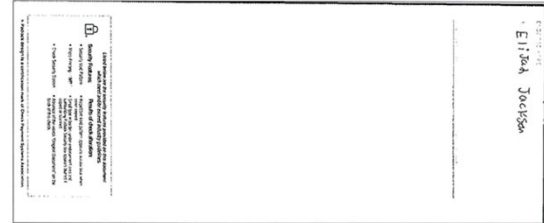
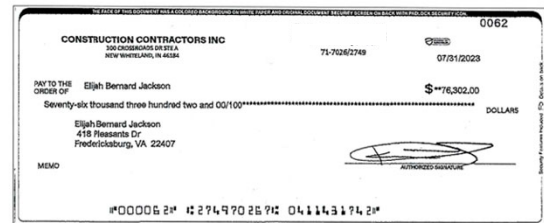
- Forged Endorsement & Not Endorsed as Drawn
- Signed and dated, with any business titles as necessary
- No notary or original documents required
- Electronic/digital signatures are accepted and preferred
- Not required for missing endorsement claims

## Check Fraud Claims Processing Updates

- ABA is working with large banks to try to develop mitigation plans
  - Establishing documentation requirement templates tied to claim amount
  - Agreeing to response and processing timelines
  - Providing feedback on denied claims
  - Accelerating returns of frozen funds
- Developing Check Fraud Toolkit – Altered vs Counterfeit checks
- Developed Universal Claim Template – Standardizing requests
- Posting both Universal Claim Template and Universal Hold Harmless on website
- ABA been asked to provide periodic updates to Senate Banking Committee

## Messaging: Protecting Customers and Banks

- Customer messaging
  - Minimize use of checks
  - Move toward electronic payments/payroll
  - Enroll in Payee Positive Pay
  - Do not use blue mailboxes
  - Watch accounts closely
- Banks
  - Require use of positive pay or have customer sign indemnification agreement
  - Relook Deposit Agreement T&Cs
  - Ask core to review check fraud capabilities
  - Relook funds availability for all channels
  - Review all check transactions the day they arrive



## ARTIFICIAL INTELLIGENCE AND DEEPFAKES

## The use of AI brings benefits and risks

### Potential Benefits

- Generate unique insights
- Automate activities
- Reduce human error
- Eliminate repetitive tasks
- Accelerate results

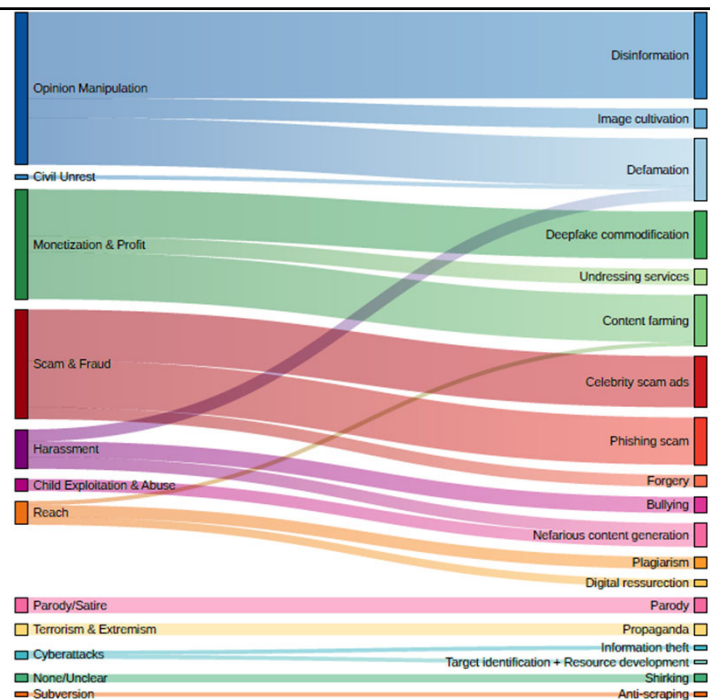


### Potential Risks

- Transparency and exploitability
- Algorithmic bias
- Use by bad actors
- Deep fake confusion
- Copyright issues in training data
- Privacy

## GenAI Misuse

- Google DeepMind Division
- Most common goal was “influence public opinion, enable scam or fraudulent activities, or to generate profit”
- “predominantly seeing an exploitation of easily accessible GenAI capabilities requiring minimal technical expertise”
- (Chart right) Analyzed incidents from Jan 2023 to Mar 2024 from different social media platforms

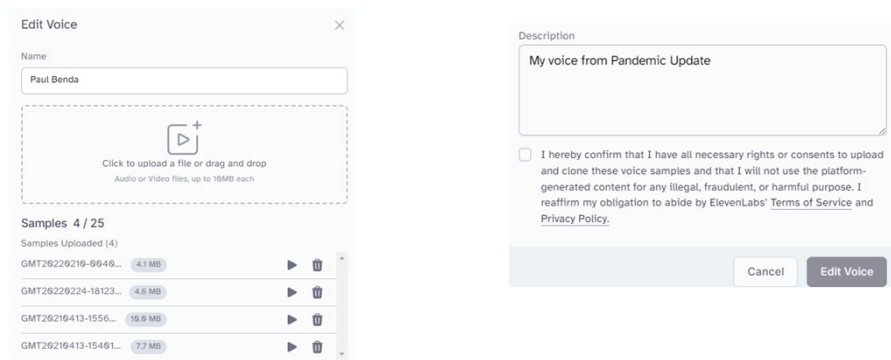


## Artificial Intelligence – Friend or Foe?

- Seeing examples of AI Fakes being used for commercial gain
  - Tom Hanks, Gayle King, Mr. Beast all been faked fairly recently
  - The technology is constantly improving to mimic the true source.
- Combine the improvements in AI both language and voice with PII stolen/purchased during pandemic and apply against knowledge based authentication

## Accessible Voice Deepfakes

- For \$1 you can buy a month-long subscription to Eleven labs and clone any voice you have recorded



**Edit Voice**

Name: Paul Benda

Click to upload a file or drag and drop  
Audio or Video files, up to 16MB each

Samples 4 / 25  
Samples Uploaded (4)

Sample Name	Size	Actions
GMT26226219-6648...	4.1 MB	▶ 🗑️
GMT26226224-18123...	4.6 MB	▶ 🗑️
GMT26216413-1556...	15.6 MB	▶ 🗑️
GMT26216413-15481...	7.7 MB	▶ 🗑️

Description: My voice from Pandemic Update

☐ I hereby confirm that I have all necessary rights or consents to upload and clone these voice samples and that I will not use the platform-generated content for any illegal, fraudulent, or harmful purpose. I reaffirm my obligation to abide by ElevenLabs' Terms of Service and Privacy Policy.

Cancel Edit Voice





## Actions for Deepfake Detection

- Vendor systems are improving to detect the existence of a deepfake.
- Client education on the red flags for a fake bank interaction.
- Updating yourself on the deepfake capabilities to use some manual steps to detect.
- Multifactor authentication.
- Updated escalation and approval processes.

## QUESTIONS

Patrick Smith  
psmith@aba.com

## Additional Resources

- CISA has several resources:  
<https://cisa.gov/cybersecurity>  
<https://cisa.gov/stopransomware>
- USSS Preparing for a Cyber Incident includes several resources:  
<https://www.secretservice.gov/investigation/Preparing-for-a-Cyber-Incident>
- FBI IC3:  
<https://www.ic3.gov/>
- Federal Reserve Bank Synthetic ID Toolkit  
<https://fedpaymentsimprovement.org/synthetic-identity-fraud-mitigation-toolkit/synthetic-identity-fraud-basics/>